BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET NO. 2019-262-E

In re:

Amended Application of Duke Energy Progress, LLC for Approval of Rider DSM/EE-11, Decreasing Residential Rates and Increasing Non-Residential Rates

DUKE ENERGY PROGRESS, LLC'S AMENDED APPLICATION FOR APPROVAL OF RIDER DSM/EE-11

Pursuant to S.C. Code Ann. § 58-37-20 and 10 S.C. Code Ann. Regs. 103-819 and 103-823, the Rules of Practice and Procedure of the Public Service Commission of South Carolina ("Commission"), Duke Energy Progress, LLC (the "Company" or "DEP") respectfully requests that the Commission approve its amended application for Rider DSM/EE-11 ("Rider 11") to recover certain costs and revenue associated with its demand-side management ("DSM") and energy efficiency ("EE") programs. Rider 11 provides for the recovery of DSM/EE costs allocated jurisdictionally to South Carolina for the test period, January 1, 2018 through December 31, 2018, and for the forecast period, January 1, 2020 through December 31, 2020; net lost revenues for DSM and EE programs as applicable; and program/portfolio performance incentives ("PPI") as applicable, in accordance with Order No. 2015-596.[1] The Company files this Amended Application, which reduces customer rates from the original application filed in this proceeding on August 1, 2019, in order to adjust program costs associated with the Distribution System Demand Response ("DSDR") Program due to intangible depreciation expense recorded in excess of the useful life of the related assets.

In support of this Amended Application, Duke Energy Progress shows the Commission the following:

<u>NAME AND ADDRESS OF DUKE ENERGY PROGRESS</u>

1. The general offices of Duke Energy Progress, LLC are located at 410 South Wilmington Street, Raleigh, North Carolina; its mailing address is Post Office Box 1551, Raleigh, North Carolina 27602-1551.

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[1] *Application of Duke Energy Progress, LLC to Establish a New Cost Recovery and Incentive Mechanism for Demand-Side Management and Energy Efficiency Programs*, Docket No. 2015-163-E, Order No. 2015-596 (August 19, 2015) ("Order No. 2015-596").

NOTICES AND COMMUNICATIONS

2. The names and addresses of the attorneys of DEP who are authorized to receive notices and communications with respect to this Amended Application are:

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DESCRIPTION OF THE COMPANY

3. The Company is engaged in the generation, transmission, distribution, and sale of electric energy at retail in the eastern portion of South Carolina and eastern and western portions of North Carolina. It also sells electricity at wholesale to municipal, cooperative, and investor-owned electric utilities. DEP is a public utility under the laws of South Carolina and is subject to the jurisdiction of this Commission with respect to its operations in this State. The Company is also authorized to transact business in the State of North Carolina and is a public utility under the laws of that state. Accordingly, its operations in North Carolina are also subject to the jurisdiction of the North Carolina Utilities Commission.

BACKGROUND

4. The Commission approved the Company's new cost recovery mechanism and compensation model for DSM and EE (the "New Mechanism") in Order No. 2015-596. The New

Mechanism, effective January 1, 2016, replaces the cost recovery mechanism and compensation model reflected in the stipulation approved by the Commission in Order No. 2009-373.

5. In pertinent part, the New Mechanism provides that the revenue requirements for DEP's EE and DSM programs recover a reasonable and appropriate estimate of the expenses and net lost revenues expected to be incurred during the rate period along with any PPI earned. Costs are deferred and amortized over a period of time not to exceed ten years, and DEP can earn a rate of return at the overall weighted average net-of-tax rate of return approved in the most recent general rate case on the unamortized balance of such costs. DEP can also defer and recover through its Rider the difference between the reasonable and prudent DSM/EE costs incurred during the test period and the revenues actually realized during such test period under the Rider then in effect. The Rider is to be trued up each year to reflect the difference between the reasonable expenses prudently incurred, net lost revenues incurred, and PPI based on realized results during the test period and the revenues that were actually realized during the test period under the DSM/EE Rider then in effect. Net lost revenues can be recovered for the first 36 months after the installation of the measure and shall be trued up in the first DSM/EE cost recovery proceeding following the completion and review of a program or measure's impact evaluation. The kWh sales reductions that result from measurement units installed will cease to be eligible for use in calculating net lost revenues as of the effective date of the implementation of new rates approved by the Commission in a general rate case or comparable proceeding to the extent the rates set in the general rate case are set to explicitly or implicitly recover the net lost revenues associated with those kWh sales

reductions.[2] The PPI shall be based on the net dollar savings of the portfolio as calculated using the Utility Cost Test.[3]

RIDER 11 RATE OVERVIEW

6. The revenue Duke Energy Progress seeks to recover under the proposed Rider 11 is as follows:

- $15,351,340 from Residential Customers and
- $10,635,054 from General Service Customers.

7. For Rider 11, the billing factors were separated to reflect participation in EE programs, DSM programs, or both EE and DSM programs. The proposed Rider 11 billing factors include prospective and true-up components.

8. The revenue DEP seeks to recover has been adjusted by the Company to remove certain DSDR depreciation expenses relating to intangible assets. The Company discovered that the calculation of depreciation expense for DSDR intangible assets utilized formulas that multiply gross plant balances times the most recently approved depreciation rates. However, these DSDR intangible assets have a useful life of only 5 years and the calculation continued to include gross plant that had been fully depreciated in the calculation of DSDR depreciation expense. The first DSDR intangible plant assets were placed into service in 2010; therefore, DSDR depreciation expense was overstated beginning with test period 2015. The Company has recalculated the appropriate depreciation expense for Vintage Years 2015, 2016, 2017, 2018 and 2020.[4] DEP has

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2 *Id.* at 16.
3 *Id.* at 18, § L.

4 Vintage 2019 will be trued up as part of the 2019 test period filed in 2020 using the same methodology as

also recalculated all other impacted expense items, including insurance expense, return on capital, and carrying costs. The revised expense amounts for Vintage 2018 are reflected on Amended Exhibit 2, page 6. The revised expense amounts for Vintage 2020 are reflected on Amended Exhibit 2, page 3. The adjustments for all prior periods are reflected on Amended Exhibit 2, page 5a.

This DSDR depreciation expense adjustment was partially offset by the amount of EE Rider revenue that was removed from the 2015 test period revenue requirement in Docket No. 2016-227-E for the period January 1, 2017 through May 31, 2019, as well as the amount removed from the 2017 test period revenue requirement from Docket No. 2018-318-E for the period June 1, 2019 forward. In order to revise DSDR-related collections to reflect the adjusted depreciation expense as well as the offsetting change in rate base, the Company has recalculated the EE-related proforma adjustment included in those proceedings. This adjustment is reflected for Vintage 2018 on Amended Exhibit 2, page 6 Line 31 in the amount of $78,038 and for Vintage 2020 on Amended Exhibit 2, page 3 Line 33 in the amount of $316,847.

The final adjustment the Company made as a result of the revisions to DSDR depreciation expense was to recalculate the interest due to customers. All interest related to prior period adjustments flows through the current vintage; therefore, this adjustment is shown for Vintage 2018 on Amended Exhibit 3.

used to calculate the impact on Vintage 2015, 2016, 2017, 2018 and 2020.

Based on the total costs to be recovered under the proposed Rider 11, the billing factors applicable to South Carolina customers for the billing period January 1, 2020 through December 31, 2020, inclusive of gross receipts taxes ("GRT") and South Carolina Regulatory Fees, would be as follows (shown in cents per kWh):

Rate Class	EE Component	DSM Component	Adjustment*	DSM/EE Annual Rider
Residential	0.367	0.296	0.008	0.671
General Service – EE only	0.761		0.004	0.765
General Service – DSM only		(0.043)	0.000	(0.043)
Lighting	0.000	0.000	0.000	0.000

** Adjustment includes charges related to Residential Energy Conservation Discount, SC GRT, and Reg Fee.*

Note: All billing factors are rounded to the nearest thousandth of a cent.

A summary of the calculations used to determine these billing factors and the revenue requirement for Rider 11 can be found in Exhibit 1 and Exhibit 2. The support calculations for Exhibits 1 and 2 are included within Exhibits 3 through 15.

9. DEP submits the following information as required in Order No. 2015-596. A detailed description and evaluation of the Company's EE and DSM programs for 2018 as well as program modifications are set forth in Exhibit 11. DEP also includes a report of all interim measurement and verification data in attached Exhibit 12.[5] DEP performed cost-effectiveness test

[5] *Id.* at 21.

evaluations for each of its approved DSM and EE programs and prospective aggregated portfolio-level cost-effectiveness test evaluations. These prospective cost-effectiveness test results are attached as Exhibit 15.[6]

For each program or measure for which it seeks PPI inclusion, DEP provides the annual projected and actual utility costs, participant costs, number of Measurement Units installed, per kW and kWh impacts for each Measurement Unit, and per kW and KWh avoided costs for each Measurement Unit consistent with the UCT, related to the applicable Vintage Year installations for which it seeks approval in attached Exhibit 7.[7] Information on projections and the variance drivers is included in Exhibit 14.

CONCLUSION

Based on the foregoing, the Company respectfully requests that the Commission approve its Rider 11 as described in this Amended Application. Additionally, the Company respectfully requests that the Commission allow the proposed rates to be put into effect without hearing, pursuant to S.C. Code Ann. Section § 58-27-870(F). The proposed rates do not require a determination of the entire rate structure and overall rate of return, and will facilitate an orderly rate administration.

Submitted this 24th day of September, 2019.

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6 *Id.* at 6.
7 *Id.* at 19.

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Rider 11 Exhibits

Exhibit 1	Amended Summary of DSM/EE Billing Rates
Exhibit 2, page 1	Amended Energy Efficiency Rate Derivation
Exhibit 2, page 2	Amended Demand Side Management Rate Derivation
Exhibit 2, page 3	Amended Rate Period Revenue Requirement Summary
Exhibit 2, page 4	Amended Determination of Net Revenue Requirement for Test Period
Exhibit 2, page 5	Amended Test Period Revenue Requirement Adjustments
Exhibit 2, page 6	Amended EMF Period Revenue Requirement Summary
Exhibit 2, page 7	Amended Revenue Adjustment Factors
Exhibit 3	Amended Calculation of Interest
Exhibit 4	2018 Actual Revenues
Exhibit 5, page 1	Allocation Factor for Year 2016
Exhibit 5, page 2	Allocation Factor for Year 2017
Exhibit 5, page 3	Allocation Factor for Year 2018
Exhibit 5, page 4	Allocation Factor for Year 2019 and Estimated Factor for Year 2020
Exhibit 5, page 5	Energy Allocation Factors
Exhibit 5, page 6	Demand Allocation Factors
Exhibit 6	Forecasted 2020 kWh Sales and Actual 2018 Opt out kWh
Exhibit 7, pages 1 and 2	True up for 2016 Load Impacts and Estimated Revenue Requirements, Excluding Lost Revenue by Program
Exhibit 7, pages 3 and 4	True up for 2017 Load Impacts and Estimated Revenue Requirements, Excluding Lost Revenue by Program
Exhibit 7, pages 5 and 6	True up for 2018 Load Impacts and Estimated Revenue Requirements, Excluding Lost Revenue by Program
Exhibit 7, pages 7 and 8	Estimated 2020 Load Impacts and Revenue Requirements, Excluding Lost Revenue by Program
Exhibit 8, pages 1 and 2	SC Net Lost Revenue for Vintages 2016-2020
Exhibit 8, pages 3 through 6	SC Net Lost Revenue True-Up for Vintages 2016-2017
Exhibit 9	Actual Program Costs – Year 2018
Exhibit 10	Found Revenue
Exhibit 11	Program Descriptions
Exhibit 12	EM&V Activities & Reports
Exhibit 13A	Opted-Out in 2018
Exhibit 13B	Opted-In and Participated in 2018
Exhibit 14	Changes from Prior Filing Due to Application of M&V and Participation; System kWh and kW Impacts Net Free Riders at the Plant
Exhibit 15	Projected Cost Effectiveness for Vintage 2020